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STATE OF MONTANA
SENATE

FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1985

PERFORMED UNDER CONTRACT BY:

EVE LAIRD & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

October 29, 1985

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislature - Senate for
the two fiscal years ended June 30, 1985.

The audit was conducted by Eve Laird and Company under a contract
between the firm and our office. The comments and recommendations
contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett
Deputy Legislative Auditor

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OFFICERS AND OFFICIALS
SENATE
49TH LEGISLATIVE SESSION

President	William J. Norman
President Pro Tempore	Chet Blaylock
Secretary	Bonnie Wallem

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's response.

Page

Recommendation #1

That the Legislature should clarify the intent of this resolution, indicating whether the salary for 48 hours a week applies just when the Legislature is in session or on a year round basis.

2

Agency Response: Concur. See page 10.

INTRODUCTION

We performed a financial-compliance audit of the Montana Senate for the two fiscal years ended June 30, 1985. The objectives of the audit were to: (1) determine if the financial schedules present fairly the office's results of operations for the two fiscal years ended June 30, 1985; (2) determine if the office complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the office.

We thank the staff of the Senate and Legislative Council for their cooperation and assistance during our audit.

BACKGROUND

Article V of the Montana Constitution of 1972, vests legislative power in a legislature comprised of a Senate and a House of Representatives. The Legislature is a continuous body that meets at least once each odd-numbered year in a regular session of not more than 90 days. Special sessions may be convened by the Governor or upon written request of a majority of the members.

The Senate expended \$124,297 during the 1983-84 fiscal year and \$1,129,923 during the 1984-85 fiscal year. The 49th legislative session took place during fiscal year 1984-85.

INTERNAL CONTROL

We have examined the financial schedules of the Senate for the two fiscal years ended June 30, 1985. We issued our opinion dated October 17, 1985 on these schedules. As part of our examination, we made a study and evaluation of the Senate's control system. Our study evaluated the system as required by generally accepted governmental auditing standards for financial and compliance audits. We classified the controls in the following categories:

1. Expenditures/liabilities;
2. property, plant, and equipment; and
3. payroll.

Our study included the control categories listed above. We applied alternative audit tests to property, plant, and equipment as we determined it was more efficient to expand substantive testing for this area. Through our study, we determined the nature, timing, and extent of our auditing procedures. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

INTERNAL CONTROL (Cont.)

The management of the Senate is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Senate.

This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

"EXEMPT" POSITIONS COMPENSATION

House Joint Resolution No. 7 concerning the classification, pay and other conditions of employment of Legislative employees provided that employees in positions classified at Grade 17 and above must receive their salary for 48 hours a week, regardless of the number of hours worked. The resolution, however, does not address the issue of whether this applies on a year round basis or just during the period when the Legislature is in session. We noted during our examination, that the Secretary of the Senate and the Sergeant-at-arms were being paid for 48 hour weeks after the Legislature had recessed.

Recommendation

The Legislature should clarify the intent of this resolution, indicating whether the salary for 48 hours a week applies just when the Legislature is in session or on a year round basis.

Prior Report Recommendations

The management of the Senate has taken the proper action to comply with the prior audit recommendation by implementing the procedures to identify its fixed assets. All areas for fixed assets management have been complied with including the PAMS listings of fixed assets as well as the acquisitions and disposals of fixed assets.

STATE COMPLIANCE

We reviewed compliance with state laws that could have a material impact on the financial schedules of the Senate. In our opinion, the Senate complied with the state laws and regulations tested. Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations.

AUDITORS' REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

Eve Laird & Company
Certified Public Accountants

Suite 514 Strain Building
Great Falls, Montana 59401
Phone (406) 727-1798

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the financial schedules of the Senate for each of the two fiscal years ended June 30, 1985 and 1984 as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the Senate's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the schedules referred to above present fairly the results of operations and the changes in fund balance of the Senate for the two fiscal years ended June 30, 1985, in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

Eve Laird & Company

EVE LAIRD & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

October 17, 1985

SENATE
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

	GENERAL FUND
Fund Balance, July 1, 1983	\$0
Additions:	
Fiscal Year 1984	
Support from State of Montana	124,188
Fiscal Year 1985	
Support from State of Montana	1,129,923
Total Additions	1,254,111
Reductions:	
Fiscal Year 1984	
Expenditures	124,297
Prior Year Expenditure Adjustments	(109)
Fiscal Year 1985	
Expenditures	1,129,923
Total Reductions	1,254,111
FUND BALANCE, JUNE 30, 1985	\$0

See the accompanying accountants' report and notes to the financial schedules.

SENATE
SCHEDULE OF PROGRAM EXPENDITURES BY FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 1985 AND 1984

	JUNE 30, 1985	JUNE 30, 1984
	<u> </u>	<u> </u>
GENERAL FUND		
Budget	\$1,482,776	\$353,316
	<u> </u>	<u> </u>
Actual		
Personal Services	1,018,603	104,852
Operating Expenses	86,977	19,445
Equipment	24,343	
	<u> </u>	<u> </u>
Total Actual	1,129,923	124,297
	<u> </u>	<u> </u>
Unspent Appropriation Authority	\$352,853	\$229,019
	<u> </u>	<u> </u>
ALL FUNDS TOTAL		
Budget	\$1,482,776	\$353,316
	<u> </u>	<u> </u>
Actual		
Personal Services	1,018,603	104,852
Operating Expenses	86,977	19,445
Equipment	24,343	
	<u> </u>	<u> </u>
Total Actual	1,129,923	124,297
	<u> </u>	<u> </u>
Unspent Appropriation Authority	\$352,853	\$229,019
	<u> </u>	<u> </u>

See the accompanying accountants' report and notes to the financial schedules.

SENATE
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT
FOR THE FISCAL YEARS ENDED JUNE 30, 1985 AND 1984

	JUNE 30, 1985	JUNE 30, 1984
Personal Services		
Salaries	\$640,724	\$35,580
Hourly Wages	50	49
Other Compensation	244,665	13,500
Employee Benefits	133,164	55,723
Total Personal Services	<u>1,018,603</u>	<u>104,852</u>
Operating Expenses		
Contracted Services	16,936	50
Supplies & Materials	20,913	1,984
Communications	5,514	3,257
Travel	27,529	7,946
Rent	13,385	3,111
Repair & Maintenance	2,210	2,563
Other Expenses	490	534
Total Operating Expenses	<u>86,977</u>	<u>19,445</u>
Equipment and Intangibles		
Equipment	19,968	0
Intangibles	4,375	
Total Equipment and Intangibles	<u>24,343</u>	<u>0</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,129,923</u> =====	<u>\$124,297</u> =====

See the accompanying accountants' report and notes to the financial schedules.

SENATE

NOTES TO THE FINANCIAL SCHEDULES JUNE 30, 1985 AND 1984

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Senate utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the office:

General - accounts for all financial resources except those required to be accounted for in another fund.

Vacation and Sick Leave

Employees and members of the Senate are not eligible for vacation and sick leave, as they are not permanent employees. They were instead paid an additional 14 cents per hour during 1983-84, and an additional 20 cents per hour during 1984-85 in lieu of benefits.

SENATE

NOTES TO THE FINANCIAL SCHEDULES (CONT.) JUNE 30, 1985 AND 1984

2. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS). The Senate's contributions to the plan are shown below:

	<u>Fiscal Year</u> <u>1984-85</u>	<u>Fiscal Year</u> <u>1983-84</u>
PERS	\$21,310	\$ -0-

3. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule, the General Fund beginning and ending fund balance will always be zero.

4. GENERAL FIXED ASSETS

The Senate records assets on the State's Property and Accountability Management System. The general fixed asset equipment balance at June 30, 1985 is \$167,572. This amount includes net acquisitions of \$35,071 during the fiscal years 1985 and 1984.

5. OPERATING LEASE

The Senate leases a voting system under an operating lease which can be terminated by either party giving six months notice in writing. Rental payments under the lease are as follows:

Regular session year - \$12,000

Special session year - \$5,000 in addition to cost plus 25% for any service required for special sessions.

AGENCY RESPONSES

Legislative Council Response
Financial Compliance Audit of Senate
Two Fiscal Years Ending June 30, 1985

"Exempt" Positions Compensation

Agree. The resolution is very difficult to administer and is being interpreted differently by various parties. An alternative would be a Resolution providing that House and Senate exempt positions earn "comp" time during a session in the same manner as all other professional legislative staff and be paid for actual hours worked during an interim.

Glenn S. Dowling

DSD5/hm/5323a

